EXHIBIT 37

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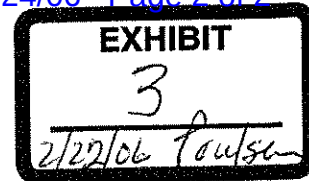
Montana Pharmacy System
1 Pharmacy Road.
Warm Springs, MT 59756
Tel. 406-693-7178
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Alan M. Stark, R.Ph. M.B.A.
Project Director

June 25, 1997

To:
Dorothy Poulson
Health Policy and Services Division
Montana Department of Public Health and Human Services
PO Box 202951
1400 Broadway
Helena, Montana 59620-2951

RE: Medicaid Fee for Fiscal Year 1998.

As we discussed, we have requested a change in the structure of our medicaid prescription reimbursement. In the past year we have been reimbursed at *Average Wholesale cost less 10% plus a fee of $2.55*. We agree with your office, the Department of Corrections and DPHHS this is not an equitable method of reimbursement because it may not pass on to the state the full savings from the Minnesota Multistate Contract buying group.

In order to make the reimbursement equitable for everyone involved, it was proposed we be reimbursed our *actual acquisition cost* plus a fee equivalent to the amount we receive for other state facility prescriptions. Enclosed is a draft copy of our fiscal year 1998 management fee based on the number of prescriptions filled in 1997 less the predicted number of medicaid prescriptions we will fill in FY98. This figure was based on ten months, July 1996 through April 1997, and projected for the entire fiscal year. Our State of Montana management fee for FY 98 is $453,658.00 divided by 72,625 non-medicaid prescriptions for a "fee" of $6.25 per prescription. This is a fee of $6.04 plus 3.5% increase, as specified in the contract, and is scheduled to increase 3.5% in fiscal year 1999 to $6.47 per prescription.

With your permission, this fee based on acquisition cost plus $6.25 per prescription can go into affect August 1, 1997 and continue until June 30, 1998. At that time, we can increase the fee to acquisition cost plus $6.47 per prescription or renegotiate the fee.

Al Stark